

Message Text

CONFIDENTIAL

PAGE 01 PANAMA 00748 01 OF 02 022331Z

61

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EB-03 TRSE-00 OMB-01 SIL-01 PM-03 SP-02 L-01 H-01

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INFO PANCANAL

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C O N F I D E N T I A L SECTION 1 OF 2 PANAMA 0748/1

LIMDIS

C O R R E C T E D C O P Y (CAPTION LIMDIS ADDED)

LIMDIS

E.O. 11652: GDS

TAGS: PN PINT

SUBJECT: GOVERNMENT BUSINESS CONFRONTATION I: OVERVIEW

REF: PANAMA 584, PANAMA 422

SUMMARY: TWO MEETINGS IN CHIRIQUI PROVINCE TO PROTEST GOP
PRODUCTION AND PRICING POLICIES BECAME FORUM FOR WIDE RANGING
VERBAL POLITICAL ATTACKS ON TORRIJOS AND HIS GOVERNMENT.
APPARENTLY FEARING SUCH OPPOSITION COULD EXPAND AND GET OUT
OF HAND, TORRIJOS ORDERED OPPONENTS, ALL PROMINENT
PANAMANIAN, EXPATRIATED TO ECUADOR. THE EXPULSIONS, WHICH
OCCURRED JANUARY 20, TRIGGERED PROTESTS IN THE FORM OF
BUSINESS SHUTDOWNS -- ALMOST TOTAL SHUTDOWN IN CHIRIQUI
PROVINCE AND PARTIAL IN PANAMA CITY -- AND DAILY PROTEST RALLIES
AT THE HEADQUARTERS OF THE PANAMANIAN ASSOCIATION OF BUSINESS
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PAGE 02 PANAMA 00748 01 OF 02 022331Z

EXECUTIVES (APEDE). THE GOVERNMENT USED THREATS AND PRESSURES,

INCLUDING COUNTER RALLIES BY LABOR UNIONS, TO END THE SHUTDOWNS AND RALLIES. IT WISELY REFRAINED FROM UNLEASING THE STUDENTS ON THE DEMONSTRATORS, FEARING THAT STREET CLASHES WOULD OCCUR. IRONICALLY, THE GOVERNMENT HAD BEEN CONSULTING WITH AND COURTING THE BUSINESS COMMUNITY FOR SEVERAL MONTHS AND HAD MADE CHANGES IN LAWS AND REGULATIONS DESIGNED TO TAKE CARE OF SOME OF ITS GRIEVANCES. UNFORTUNATELY THESE LATEST EVENTS HAVE WIPED AWAY THE POSITIVE EFFECTS OF THE GOVERNMENT'S ACTIONS TO APPEASE THE PRIVATE SECTOR. DAMAGE HAS BEEN DONE TO THE GOVERNMENT'S REPUTATION FOR DEALING GENTLY WITH DISSIDENTS, THE POLITICAL ATMOSPHERE HAS BECOME EMBITTERED AND TENSE, AND SOME DAMAGE HAS BEEN DONE TO THE ECONOMY. WHETHER THE DETERIORATION IN PANAMA'S POLITICAL AND ECONOMIC SITUATION CAUSED BY THE CONFLICT IS TO BECOME PROGRESSIVE, WILL DEPEND UPON DECISIONS AND ACTIONS TO BE TAKEN BY BOTH SIDES IN THE NEAR FUTURE. END SUMMARY.

1. THIS CABLE REVIEWS EVENTS LEADING UP TO AND FOLLOWING THE JANUARY 15 MEETING IN DAVID, THE EXPATRIATION OF 11 PROMINENT PANAMANIAN ON JANUARY 20, THE ARREST OF OTHERS, AND THE ENSUING PROTESTS. THESE DEVELOPMENTS REPRESENT AN INTENSIFICATION OF THE GOVERNMENT-PRIVATE SECTOR CONFLICT, SMOULDERING SINCE ITS LAST CRISIS IN LATE 1973. THE GOVERNMENT'S OPPONENTS INTENDED TO FORCE TORRIJOS TO DEFINE HIS LONG-TERM ECONOMIC, SOCIAL AND POLITICAL POLICIES AND TO PREVENT WHAT THEY PERCEIVED AS FURTHER LEFTWARD DRIFT IN THEM.

2. PROBLEMS AND FRUSTRATIONS EXPERIENCED BY CATTLEMEN AND RICE GROWERS IN CHIRIQUI PROVINCE OVER GOP ACTIONS AND POLICIES TRIGGERED THE PRESENT CONFRONTATION. CATTLEMEN OBJECTED TO DEPRESSED GOVERNMENT CONTROLLED LOCAL PRICES AND INABILITY TO EXPORT PROFITABLY. (COMMENT: THIS IS IN PART, ALTHOUGH NOT PUBLICLY STATED, A CONSEQUENCE OF LOW "VOLUNTARY" RESTRAINT LEVEL FOR BEEF EXPORTS TO U.S., PANAMA'S MAJOR OFFSHORE MARKET. END COMMENT.) THEY ALSO CHARGE THAT EXTENSIVE CORRUPTION (PARTICULARLY ON PART OF RODRIGO AND ALBERTO GONZALEZ, WHO ARE CLOSE TO TORRIJOS), SURROUNDED IMPORT LATE LAST YEAR OF OVER 4 MILLION POUNDS OF AUSTRALIAN BEEF. COMMERCIAL RICE GROWERS FEARED THEY WERE BEING FORCED -- PERHAPS DELIBERATELY -- OUT OF BUSINESS BY GOP PRODUCTION, MARKETING AND PRICING POLICIES.

CONFIDENTIAL

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PAGE 03 PANAMA 00748 01 OF 02 022331Z

3. THEY ALSO RESENTED UNDUE COMPETITIVE ADVANTAGE ACCORDED PEASANT SETTLEMENT (ASENTIMIENTO) RICE PRODUCTION WHICH THEY FEARED THAT THE NEW MARKETING INSTITUTE WOULD INSTITUTIONALIZE. IN ADDITION, GROWERS WHO HAD SOLD 1975 RICE CROP TO GOP HAD NOT YET BEEN PAID. THESE CONCERNS WERE MIRRORED BY OTHER INDEPENDENT AGRICULTURAL PRODUCERS WHO FELT THEMSELVES ADVERSELY AFFECTED BY GOP POLICIES, AND DEEPENED BECAUSE OF CONCERN OVER DETERIORATION IN LOCAL AND NATIONAL ECONOMY. A

FURTHER IRRITANT IN THIS NORMALLY-CONSERVATIVE AREA WAS ALLEGED MARXIST INFLUENCE IN GOP'S EDUCATION REFORM PROGRAM.

4. THIS ATMOSPHERE INDUCED RICE GROWERS ASSOCIATION TO CALL A MEETING IN DAVID ON DECEMBER 22 WHICH WAS ATTENDED BY REPRESENTATIVES OF OTHER PRODUCER AND PROFESSIONAL ASSOCIATIONS. SPEAKERS VEHEMENTLY EXPOUNDED ALL OF THE PRIVATE SECTOR'S FEARS, FRUSTRATIONS AND DISLIKE OF THE PRESENT GOVERNMENT, DENOUNCED VARIOUS OF ITS PROGRAMS AND SOME OF ITS LEADERS, INCLUDING TORRIJOS. TEMPERS FLARED FURTHER WHEN THE LOCAL GN COMMANDER CUT OFF ELECTRIC POWER TO THE HALL WHILE THE MEETING WAS UNDERWAY. DURING THE MEETING FOR FORMATION OF A DEMOCRATIC COMMITTEE FOR THE BETTERMENT OF PANAMA (CCDPMP) WAS ANNOUNCED. OTHER LOCAL AND NATIONAL ORGANIZATIONS PUBLICLY ALIGNED THEMSELVES WITH IT. INCLUDED AMONG THESE WAS THE IMPORTANT PANAMANIAN ASSOCIATION OF BUSINESS EXECUTIVES (APEDE), AND THE NATIONAL COUNCIL OF PRIVATE ENTERPRISE (CONEP).

5. THROUGHOUT THE REMAINDER OF DECEMBER AND EARLY JANUARY VARIOUS UNFRUITFUL EXCHANGES TOOK PLACE BETWEEN GOP OFFICIALS -- INCLUDING MIDA MINISTER LTC. PAREDES--AND THE LEADERS OF THE PRIVATE SECTOR IN CHIRIQUI. THE CCDPMP INVITED PAREDES TO ATTEND AN OPEN MEETING JANUARY 15, BUT AFTER ARRIVING IN CHIRIQUI ON JANUARY 14, HE DECIDED NOT TO ATTEND THE MEETING BECAUSE HE LEARNED THAT THE REVOLUTIONARY GOVERNMENT, NOT SPECIFIC POLICIES, WOULD BE CRITICIZED. MEETING GARNERED OVERFLOW ATTENDANCE OF OVER 1,000 PEOPLE REPRESENTING ALL SECTORS OF CHIRIQUI SOCIETY, STUDENTS, PEASANTS, AS WELL AS BUSINESSMEN AND RANCHERS. PROMINENT BUSINESSMEN AND INDUSTRIALISTS FROM PANAMA CITY WERE AMONG THE SPEAKERS. AS PREVIOUSLY REPORTED, THE SPEECHES WENT FAR BEYOND DISCUSSIONS OF SPECIFIC ECONOMIC PROBLEMS AND ACCUSED THE GOP OF BEING SOCIALISTICALLY ORIENTED, CHALLENGED TORRIJOS TO DEFINE HIS POLITICAL ORIENTATION, CONFIDENTIAL

CONFIDENTIAL

PAGE 04 PANAMA 00748 01 OF 02 022331Z

CRITICIZED EDUCATION REFORM. ALL THIS RECEIVED AN ENTHUSIASTIC RESPONSE FROM THE AUDIENCE. TORRIJOS' TRIP TO CUBA ALREADY HAD CHARGED THE EMOTIONS OF THE MEETING'S PARTICIPANTS AND CAME UNDER HEAVY VERBAL ATTACK. REPORTEDLY, LARGE DONATIONS WERE MADE FOR THE ESTABLISHMENT OF A CLANDESTINE RADIO STATION TO PROMOTE PUBLIC UNDERSTANDING OF ISSUES AND ACTIVITIES OF THE CCDPMP. ANOTHER MEETING WAS SCHEDULED TO BE HELD JANUARY 20 IN DAVID.

6. THE AGGRESSIVE SPEECHES AT THE JANUARY 15 MEETING, POSSIBLY GOP KNOWLEDGE OF PLANS FOR THE RADIO STATION, AND THE POPULAR RESPONSE APPEAR TO HAVE MOTIVATED TORRIJOS TO EXPEL SOME OF THE KEY SPEAKERS AND PARTICIPANTS IMMEDIATELY AFTER HE RETURNED FROM CUBA. REPORTEDLY THE GN G-2 LT. COL NORIEGA AND PAREDES PARTICIPATED IN THE DECISION. TORRIJOS DID NOT IMMEDIATELY EXECUTE

IT BUT INSTEAD LEFT THE TASK FOR PRESIDENT LAKAS TO CARRY OUT ON THE FOLLOWING TUESDAY, JANUARY 20, WHILE TORRIJOS WAS VISITING COLOMBIA. THE ARRESTS AND EXPLUSIONS APPEAR TO HAVE BEEN INTENDED TO DISCOURAGE "SUBVERSIVE" CRITICISM BY FIRM ACTION. WE HAVE SEEN NO SOLID EVIDENCE OF AN ORGANIZED PLOT TO OVERTHROW THE GOVERNMENT, AS GOP OFFICIALS HAVE ALLEGED.

CONFIDENTIAL

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PAGE 01 PANAMA 00748 02 OF 02 012040Z

62

ACTION ARA-10

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 DODE-00

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C O N F I D E N T I A L SECTION 2 OF 2 PANAMA 0748/2

7. THE EXPULSIONS IGNITED AN INDIGNANT REACTION IN PANAMA CITY AND IN CHIRIQUI. IN PANAMA, APEDE, THE NATIONAL COUNCIL OF PRIVATE ENTERPRISE (CONEP) AND THE CHAMBER OF COMMERCE CALLED FOR A NATIONAL BUSINESS SHUTDOWN. THIS WAS PARTIALLY SUCCESSFUL AND CONTINUED FOR SEVERAL DAYS, DESPITE PRESSURES AND THREATS APPLIED BY THE GOVERNMENT. APEDE LEADERS, JOINED BY OTHER PROTESTING ORGANIZATIONS (INCLUDING THE INDEPENDENT LAWYERS' MOVEMENT) HELD DAILY RALLIES AT APEDE HEADQUARTERS IN PANAMA, AND DISTRIBUTED LEAFLETS CONTAINING EXPLANATIONS AND SITUATION REPORTS, AS WELL AS DENUNCIATIONS OF THE GOP PRESSURE TACTICS.

8. THE GOVERNMENT INITIATED NEGOTIATIONS WITH LEADERS OF THE PROTEST, HEADED BY CONEP PRESIDENT AMADO. PRESIDENT LAKAS AND VICE PRESIDENT GONZALEZ WERE IN DIRECT CHARGE OF THESE TALKS AND

REPORTEDLY WERE GIVEN FOUR DAYS (JANUARY 22-26) TO REACH A SATISFACTORY SOLUTION, I.E., PUT AN END TO THE PROTESTS. TORRIJOS REPORTEDLY HAD TOLD THEM HE WOULD APPLY "HIS SOLUTION" - PRESUMABLY MORE DEPORTATIONS AND USE OF FORCE BY THE GN - IF TALKS FAILED.

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PAGE 02 PANAMA 00748 02 OF 02 012040Z

9. THE ATTACK BY HOLLIGANS, STIMULATED AND ACCOMPANIED BY GN PERSONNEL IN CIVILIAN CLOTHES (PANAMA 552), ON PERSONS PARTICIPATING IN THE APEDE RALLY ON FRIDAY EVENING, JANUARY 23, GENERAGED GENERAL CONDEMNATION EVEN FROM PEOPLE NOT INVOLVED IN OVERALL CONFRONTATION. ALTHOUGH VICE PRESIDENT GONZALEZ, WHO WAS NEGOTIATING WITH THE PRIVATE SECTOR'S REPRESENTATIVES AT THE TIME, INSISTED HE KNEW NOTHING OF THE ATTACK, BUSINESSMEN, WHO ARE WILLING TO BELIEVE THE WORST OF HIM, SUSPECTED THAT HE HAD PRIOR KNOWLEDGE OF IT.

10. THE ISSUANCE OF SEPARATE COMMUNIQUE BY THE GOP AND THE PROTESTERS ON SUNDAY, JANUARY 25, PERMITTED BUSINESS TO RETURN TO NORMAL OPERATION MONDAY BUT WAS MORE A TEMPORARY TRUCE THAN A SOLUTION OF THE CONFRONTATION. CONEP ISSUED A COMMUNIQUE PROTESTING THE DENUNCIATORY LANGUAGE USED BY THE VICE PRESIDENT IN A SPEECH TO A RALLY ON SUNDAY AFTERNOON, AND AFTER A DAY'S BREAK, DAILY RALLIED WERE RESUMED AT APEDE HEADQUARTERS. ON JANUARY 28 THE PROTESTERS TOOK ON THE NAME OF "MOVIMIENTO NACIONAL PRO-RESCATE DE LAS LIBERTADES PUBLICAS". ON THE MORNING OF JANUARY 29, THE NATIONAL GUARD INVADED THE APEDE HEADQUARTERS AND CLOSED THE OFFICES. AT NOON THE SAME DAY, THE TRANSPORT WORKERS' CONFEDERATION, AND ONE OF ITS CONSTITUENT TAXI DRIVERS' UNIONS, BLOCKED THE APPROACHES TO THE BUILDING FOR A HALF-HOUR TO DEMONSTRATE "POPULAR" SUPPORT FOR THE GOP.

11. THE CONFRONTATION AND THE GOP'S HANDLING OF IT HAS DEEPENED THE SKEPTICISM WITH WHICH ALL SECTORS OF SOCIETY RECEIVE GOP CLAIMS AND MEDIA RELEASES. THE PUBLIC WAS APATHETIC TO THE GOP'S EFFORTS TO FOMENT RALLIES OF SUPPORT FOR IT DURING THE CRISIS AND EVEN STUDENTS REPORTEDLY WERE LESS THAN ENTHUSIASTIC IN RESPONDING. SOME STUDENTS WERE UNHAPPY THAT ALBERTO QUIROS GUARDIA, WHOM NO ONE COULD CREDIBLY BRAND AS AN AGENT OF THE OLIGARCHY OR THE CIA, WAS INCLUDED IN THEEXPULSION ORDER. IT SHOULD BE NOTED, HOWEVER, THAT THE GOP HAS REFRAINED FROM ENGAGING IN A FULL-SCALE CAMPAIGN TO WHIP UP THE EMOTIONS OF STUDENTS, FEARING THAT STREET CLASHES COULD GET OUT OF CONTROL. THE GOVERNMENT-CONTROLLED TRANSPORT WORKERS UNION IS ABOUT THE TAMEST MASS INSTRUMENT THAT IT HAS AT HAND.

12. IRONICALLY, THE GOP IN THE LAST SEVERAL MONTHS HAD BEEN
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CONFIDENTIAL

PAGE 03 PANAMA 00748 02 OF 02 012040Z

CONSULTING AND COURTING THE BUSINESS COMMUNITY. IT HAD MADE SOME ADJUSTMENTS IN INTERPRETATION OF THE LABOR CODE, AND CREATED COFINA TO ASSIST THE PRIVATE SECTOR. IN JANUARY IT WAS BEGINNING TO PAY THE RICE GROWERS FOR THEIR 1975 CROPS AND, ACCORDING TO GOP OFFICIALS, WAS PLANNING OTHER MEASURES TO CALM IF NOT PLEASE THE PRIVATE SECTOR. THE IMPLEMENTATION OF AN ALREADY PLANNED PRESS CAMPAIGN TO DEMONSTRATE THE GOVERNMENT'S FAVORABLE ATTITUDE TOWARD PRIVATE ENTREPRENEURS WAS DELAYED DUE TO THE CUBA TRIP. THE EVENTS OF THE PAST TWO WEEKS HOWEVER HAVE ERASED ANY IMPROVEMENT IN RELATIONS THAT THE GOVERNMENT MIGHT HAVE OBTAINED THROUGH ITS RECENT POSITIVE ACTIONS.

13. APEDE LEADERS ANY MANY OTHER BUSINESSMEN HAVE INTERPRETED THE GOVERNMENT'S REPRESSIVE ACTION, ALONG WITH THE TRIP TO CUBA, AS REVEALING THE TRUE NATURE OF TORRIJOS' REGIME, I.E., THAT IT IS DELIBERATELY MOVING LEFTWARD. OTHER BUSINESSMEN WHO HAVE GENERALLY SUPPORTED TORRIJOS UNTIL NOW HAVE SAID THAT ALTHOUGH TORRIJOS HIMSELF IS NOT A LEFTIST, EVENTS ARE BEING MANIPULATED BY LEFTISTS AROUND HIM. THEY ADD THAT TO COUNTER THIS MANIPULATION, SKILLFUL MANEUVERING BY CONSERVATIVES IN AND OUTSIDE THE GOVERNMENT, AND BY THE UNITED STATES WOULD BE NECESSARY. GOP OFFICIALS HAVE TRIED TO PERSUADE EMBASSY OFFICERS THAT THIS LATEST CONFRONTATION HAD NO IDEOLOGICAL SIGNIFICANCE AND REMAINS A RELATIVELY MINOR MATTER WHICH WILL SOON BE FORGOTTEN.

15. WE DISAGREE WITH THE GOVERNMENT PREDICTION THAT THE MATTER WILL BLOW OVER QUICKLY. THE EXPULSION DECISION WAS AN OVER-REACTION AND AN ERROR. THE GOVERNMENT AND THE PRIVATE SECTOR HAVE BECOME MORE ESTRANGED THAN EVER BEFORE. WHETHER A CUMULATIVE DETERIORATION IN THE ECONOMIC AND POLITICAL CLIMATE HERE IS UNDERWAY REMAINS TO BE SEEN AND WILL DEPEND UPON DECISIONS AND ACTIONS TAKEN IN THE NEAR FUTURE BY THE GOP AND BY THE PRIVATE SECTOR'S RESPONSE. SEPARATE MESSAGES ON THE IMPLICATIONS OF THIS AFFAIR FOR PANAMANIAN POLITICS AND THE TREATY NEGOTIATIONS FOLLOW.

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